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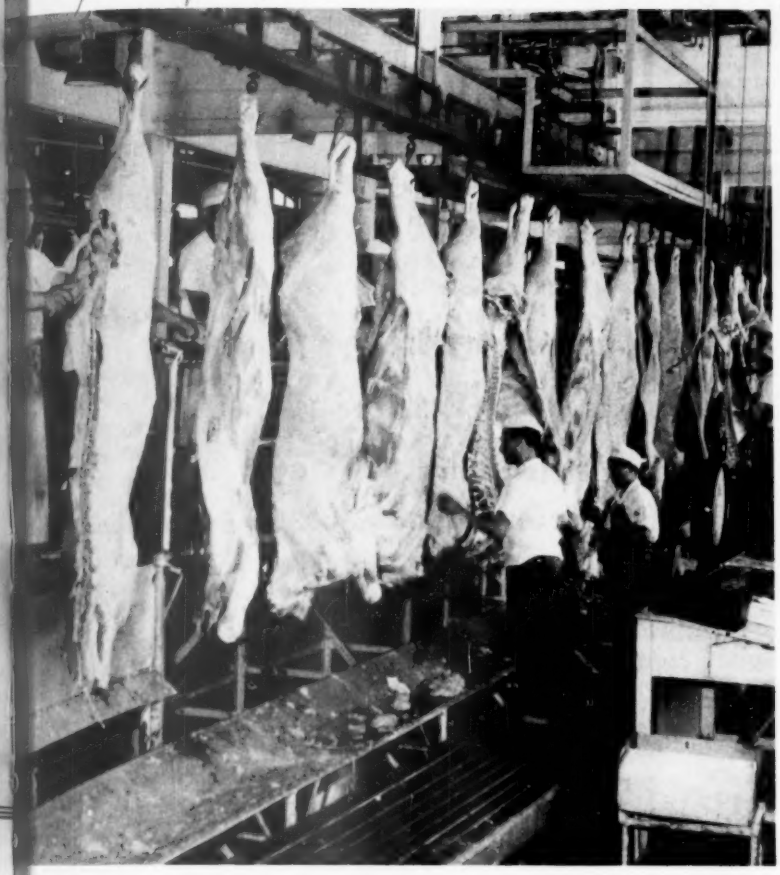

NOVEMBER 21, 1966

A LOOK AHEAD AT
ARGENTINE AGRICULTURE

PERUVIAN MARKET FOR
U.S. BREEDING CATTLE

U.S. FROZEN TURKEY EXPORTS

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FOREIGN AGRICULTURE

Including FOREIGN CROPS AND MARKETS

A WEEKLY MAGAZINE OF THE UNITED STATES DEPARTMENT OF AGRICULTURE
FOREIGN AGRICULTURAL SERVICE

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NOVEMBER 21, 1966

VOLUME IV • NUMBER 47

Beef "on the rail" in Argentine packing plant. Argentina's output of this important export item is up from the low level of 1965, as is production of most crops. (See story on opposite page.)

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OUTLOOK for AGRICULTURE in ARGENTINA —expansion foreseen, but concern about inflation persists

Argentina's spiraling inflation as yet has had little negative effect on agricultural production, which is expected to rise during the 1966-67 season. Exports likewise, should improve, especially in view of Argentina's recent "first step" toward a free exchange rate. This has resulted in still another devaluation of the peso—from 215 pesos to the dollar to about 245 to the dollar—thus encouraging exports and discouraging imports.

The impact this change will have on inflation, which has increased prices some 30 percent during 1966, will depend upon other steps taken in the economic field by the current government.

Prospects mixed for livestock industry

Total beef and veal production this year will be up 15 or 20 percent to over 2.4 million metric tons. This gain approximates the recent rebound in herd numbers, which are currently estimated at 48 million head.

A combination of expanded domestic consumption and lowered demand from the European Economic Community is keeping 1966 beef and veal exports below the 1964 level of 504,000 metric tons, even though production is at least 400,000 tons more than in 1964; exports will, of course, be well above the poor 1965 level. On balance, sales of chilled beef in 1966 will be the same as in 1965, or somewhat higher; frozen beef for manufacturing, substantially larger; and canned products, up moderately. Probable sales declines to the EEC will be offset by larger exports to Spain—second best market after the United Kingdom—and certain nontraditional buyers.

Below-average f.o.b. prices have hit exporters particularly hard this year, while producers have fared no better—with steer prices in recent months running 5 or 10 pesos per kilogram below the levels of 1965.

Argentina's production of meat other than beef and veal has also risen, and at a much steeper rate. Total lamb and mutton output may jump by some 60 percent from the 1965 figure to around 260,000 metric tons, and pork, by 30 percent to the same level. The greater availabilities and weakened prices during the last half of 1966, however, portend cutbacks in output in the coming year.

Among the livestock products, cattle hides and skins are being marketed domestically at about the same rate as last year. This will result in a sizable year-end carryover, even though 1966 exports are expected to be up 15 percent to 8 million hides.

Though not a leading dairy producer, Argentina has been gradually increasing its production and exports of cheese. Exports in 1966, helped by an export subsidy, may climb 40 percent, half going to Italy and the United States.

Wool output in the 1965-66 season approximated the record of 195,000 tons in 1960. Despite slow-moving exports of coarse wools, raw wool shipments rose 20 percent. The current season offers another good year for trade, as production will at least equal last year's figure.

Wheat acreage rose by 17 percent from 1965-66, while area in the other small grains rose by small amounts. This expansion, plus near-ideal soil conditions at time of planting, led to optimistic predictions for the 1966-67 wheat crop, but subsequent dry weather steadily dimmed prospects. Now, after a series of light rains, the growing condition is classified as fair, and the outlook is for a harvest of about average size. The condition of oats, barley, and rye is similar—but heavy grazing of these crops (especially rye) will reduce their harvest.

Plantings of corn and grain sorghum were delayed in some areas because of exceedingly dry soil. However, 1966-67 acreage is still expected to show an increase as a result of favorable support prices, and crops in excess of last year's record harvests are possible.

On the market side, unusually heavy exports during the first half of 1966 insured another good export year for grains. A sharp drop in shipments of wheat during the second half was offset by an increase in feedgrains. Prospects for grain exports in 1966 are considered good.

Oilseed production may rise

The oilseed situation for 1966-67—now beginning to take shape—looks as good as or better than last year's, when the size of the potential harvest was greatly reduced by unfavorable weather.

Planting of sunflowerseed is well underway in most areas, and recent rains in the important producing Province of Buenos Aires have raised hopes for a significant expansion in the acreage sown. Good market prices this past year also are expected to encourage higher production; the same applies to peanuts. A reduction in the area planted to cotton, on the other hand, will cut down availabilities of cottonseed.

The flaxseed crop—planted months ago—is expected to be about the same as last year's. Seeded area is down 24 percent, but yields will increase.

Tung nut production in 1966-67 reached a record—four times the previous outturn from about the same acreage.

Marketing of edible oils set a brisk pace in 1966 and may reach a 10-year high of 160,000 tons. Prospects appear to be equally good for 1967 sales.

Exporters of industrial oils were less successful in finding buyers, mainly because of low world prices. The Grain Board made sizable linseed oil purchases and has yet to dispose of them. Argentina managed to sell most of its tung oil in 1966 but anticipates problems in marketing this year's bumper production.

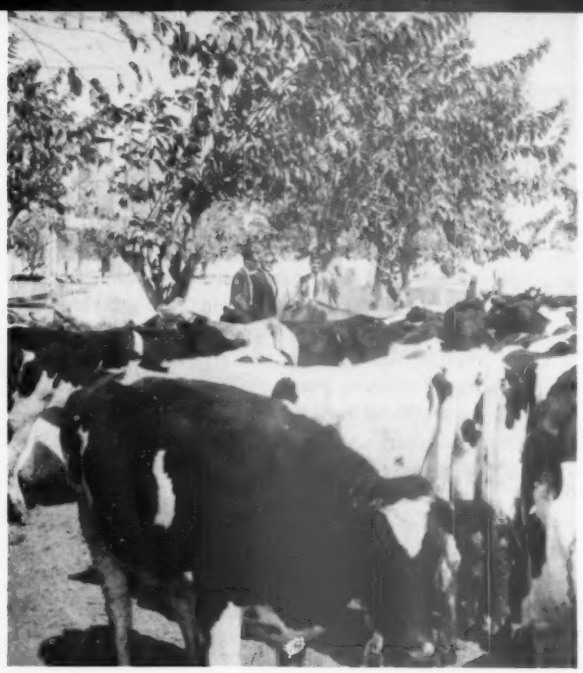
Deciduous fruit, tobacco improve

Deciduous fruit production is expected to revert to normal levels in 1966-67, following the low outturns of 1965-66.

Following this year's smaller than expected showing, tobacco should rebound to normal levels of production and exports in 1967. Acreage is up slightly.

Sugar output in 1966 fell sharply to about 850,000 metric tons (refined) as a result of government controls.

—Based on a dispatch from JOSEPH C. DODSON
U .S. Agricultural Attaché, Buenos Aires.



U.S. Holstein and Brown Swiss dairy cattle at Animal Quarantine Station in Callao are inspected by Fred Traeger, U.S. Agricultural Attaché to Peru (light suit), and accompanying livestock specialists.

Peru—An Expanding Market for U.S. Breeding Cattle

U.S. exports of breeding cattle to Peru this year will probably hit 1,500 head, or nearly double the 1965 figure. Responsible for this increase is an intensive program to greatly expand Peruvian livestock production and cut that country's dependence on meat and dairy-product imports, which in 1965 cost some US$28.3 million.

Thus far in 1966, over 1,200 head of U.S. breeding stock, mostly dairy cattle, have entered Peru. By comparison, the 1965 export was 833 head and the 1964 shipment, only 382. Of the 1965 total, 634 head were dairy cattle, mainly Holstein-Friesian and Brown Swiss, and 199 head were beef cattle, nearly all Santa Gertrudis.

World Bank loan

A US$15-million World Bank loan, made in early 1965 to the Peruvian Agricultural Development Bank, has provided much of the money for the added livestock imports and the livestock development programs.

These programs are being drawn up and administered by the Peruvian Agricultural Extension Service (SIPA) on the basis of specific livestock industries (dairying, beef, or sheep) in particular geographic areas. First of these programs calls for the import of 2,000 head of crossbred pregnant heifers for distribution to dairymen in the central coastal area. To date, credits have been utilized to import 536 animals from the United States and 627 from Uruguay.

Other programs now underway are—

- The import of 10,000 head of crossbred (mostly Brahman blood) heifers to develop the beef industry in northern Peru. The first purchases under this program—2,000 heifers—were shipped from Brazil early this September. This has occasioned an added need for good breeding bulls.
- The import of 3,000 head of Holstein and Brown Swiss pedigree and crossbred heifers and young bulls for dairymen in the central mountain valleys and southern coastal area. Credits have thus far been used to purchase 503 head of Holstein heifers from the United States.
- The purchase of 1,800 head of pedigree or crossbred heifers and 200 young Gyr and Nellore bulls from Brazil for small- and medium-sized beef operations in the jungle areas.

Livestock development programs are also being financed by other means. Funds from the U.S. Agency for International Development have been provided to Peru's Plan Costa, a multipurpose program to assist small- and medium-sized agricultural producers in the coastal zone; in 1965, 355 head of U.S. dairy cattle were imported with funds from this plan. U.S. dairy cattle are being imported to stock the 180,000-acre San Lorenzo irrigation and colonization project near Piura. And, a number of Peruvian ranchers have privately financed the import of breeding stock. Traditionally, the United States has supplied a large portion of such imports.

The government's program for improving the nation's sheep industry has resulted in the import of about 1,000 sheep from Australia.

In view of the large increases in Peru's breeding-stock imports over the past 2 years, it might be believed that the need for further overseas purchases has been satisfied and that future sales to this market will decline. However, this belief is quickly dispelled by the fact that less than 25 percent of the cattle for which financing has been authorized

have actually been imported and that a sizable amount of the World Bank loan has yet to be designated for use in a specific program.

Other programs planned

Also, several broad development programs now in the preliminary discussion stage could have significant sales potential. The government is, for instance, considering a plan to eradicate tuberculosis in the dairy herds by replacing infected animals with animals imported from TB-free countries. The government is further thinking of setting up beef-cattle breeding stations in the jungle area as a means of promoting the industry there; SIPA believes that if financing for this program is secured, several thousand additional head of beef cattle, mostly Brahman type, will have to be imported.

The sales potential offered by the Peruvian market has attracted the attention of many countries other than the United States. Australia, Brazil, and Uruguay have already furnished significant numbers of animals, while Canada, Argentina, and several other countries are actively promoting their breeding stock in Peru.

In addition to this competition from other cattle-supplying countries, U.S. cattle sales to Peru have also encountered some health problems. During 1965, two shipments of dairy cattle from the United States were infected by infectious bovine rhinotracheitis (IBR). This led the Peruvian animal health officials to request a health certification for U.S. cattle which was beyond the ability of U.S. veterinarians to issue. A fully acceptable solution to this problem has not yet been reached.

The U.S. livestock industry has undertaken a significant amount of market development activity in Peru during past years. However, in view of the potential of this market and competition facing U.S. breeding cattle sales, Peru warrants increased attention from the U.S. livestock industry in the future. —ROBERT M. MCCONNELL

Assistant U.S. Agricultural Attaché, Lima

Uganda Moves To Diversify Agriculture

Uganda's new 5-year plan, which runs from July 1966 to July 1971, foresees a doubling of the nation's per capita income and a diversifying of its two-crop economy.

The annual growth target of the plan is 7.2 percent yearly compared with the 4.2 percent for 1954-64.

Agriculture, which now accounts for 50 percent of the gross domestic product and 80-90 percent of export earnings, will continue to be the mainstay of the economy. However, acreage devoted to coffee—along with cotton the major export earner—will be reduced as part of the country's diversification plan. Stress will instead be placed on improving quality of the crop; the same holds true for cotton, though acreage will be maintained at current levels. Moving into more prominent positions will be tea, sugar, and livestock—all of which are to see sharp production gains.

Special emphasis will be placed on expanding industries, particularly those that produce cotton textiles and wearing apparel, hessian cloth, nitrogenous fertilizer, and other items that must now be imported. Miscellaneous manufacturing industries—aided by expanded hydroelectric facilities at Jinja on the Nile—are slated to grow by about 12.5 percent yearly, or about twice the planned growth for total production. However, even this would lead to a 1971 production of only 7.3 percent of the monetary product.

$20-Million U.S. Loan Goes to Brazil

A recent $20-million loan from the U.S. Agency for International Development to Brazil should boost that country's chances of attaining its food production goals.

The loan—to the Central Bank of Brazil—will provide the needed foreign exchange for importing fertilizer from the United States. Local currency generated by sales of the fertilizer will be used to finance fertilizer sales to small landowners and tenant farmers who have found it difficult to obtain low-cost credit. The loan supplements a $15 million AID fertilizer loan authorized in June 1964.

The Central Bank's agricultural credit department will administer the local currency loan phase of the program, while the Bank of Brazil's exchange department will handle the fertilizer import project. Repayment will be made over a 40-year period, including a 10-year grace period. Interest during the grace period is payable at the annual rate of 1 percent; thereafter, it will be 2½ percent.

To support its development goals under the Alliance for Progress, Brazil must maintain an annual increase of 6 percent in food production, against a population increase of 3.1 percent. The current growth rate falls short of this target.

The Brazilian Government is trying to encourage the country's farmers to close the food-production gap by providing credits and credit subsidies for the use of fertilizer on nonsurplus food crops and by removing price controls on virtually all farm products.

Guatemala's Farm Exports, Output Rise

This year has been a good one for Guatemala's exports and production of agricultural products.

According to preliminary estimates, the value of agricultural exports in calendar 1966 may total around $180 million, up 20 percent from the 1965 record of $151 million. Anticipated increases in the value of exports range from 2 percent for beef to 87 percent for bananas, reflecting the generally favorable output of 1965-66.

Yields in the 1966-67 season also appear to be good. Officials from the Coffee Association and trade sources estimate that coffee production will be about the same as the 2.2-million-bag crop of 1965-66 and 55 percent above the 1964-65 level. Planting of the 1966-67 cotton crop was completed during the first week of September under generally good conditions. Increased yields are expected to partly offset an 18-percent reduction in area, and cotton production and exports are forecast to be down about 12 percent from 1965-66. Production of grains and beans is forecast to exceed 1965-66's, with wheat up 3 percent; beans, 26 percent; corn, 19 percent; and rice, 9 percent. Favorable weather during planting, growing, and harvesting was the major factor behind these gains.

U.S. Exports of Frozen Turkeys to West Europe Spurred by Success of Van Container Shipping

The holiday season has found frozen U.S. turkeys reaching European customers in impressive numbers. One reason is the fast-developing technique of shipping by refrigerated van containers. In the 6 months since May, when the first experimental container-load of U.S. poultry reached Hamburg, Germany (*Foreign Agriculture*, May 23, 1966), 65 more loads have sped to European destinations, for a total of over 2 million pounds. Experimentation has become experience.

News on the van container front recently was the November 10 mass movement of 15 containerloads of U.S. turkeys and other poultry from Virginia, Iowa, and New York, all going on the same ship to Europe. Other States have also taken part in the heavy shipments of frozen turkey that have provided a stockpile for Europe's holiday trade.

Working together in developing the full potential of the van container technique for overseas shipment of perishable farm products are specialists of USDA's Agricultural Research Service and Foreign Agricultural Service. The Institute of American Poultry Industries (IAPI) has cooperated through its marketing specialists here and in Rotterdam, Frankfurt, and Rome. The U.S. poultry trade has given researchers the opportunity to observe both regular and van container shipments.

Break-bulk vs. container

Typical of the shipments compared was a double trial run to Milan this summer. Of two loads of frozen turkeys from the same North Carolina plant, one used the traditional "break-bulk" method, going first to Genoa in the refrigerated hold of a ship and then by train. The other used a sealed, refrigerated van container, going first in a container-ship to Rotterdam and then by highway.

USDA transportation experts compared the two loads on five related counts: Handling, damage, temperature, port transfer time, and costs. On the first four points, the van container was far ahead: Only 4 handlings as against 16; near-perfect condition on arrival as against damage to both boxes and birds; temperatures near or below zero as against some thawing: total dockside transfer time of half an hour as against 7 hours.

Ocean freight was somewhat higher for the van container. However, containers permit many kinds of savings—in box weights, in labor, in pilferage control, and in the possible elimination of strapping and stenciling; and they offer positive advantages in the maintenance of quality and salability. Further, container-ship service has multiplied this year, and the North Atlantic Conference now allows a 10-percent discount for poultry shipped by van container.

Exports are being sparked

U.S. turkey growers, headed for the biggest output since 1961, have ample supplies of birds for both domestic and foreign markets. Yet, so lively is demand on both markets that prices are holding at about last year's level.

In 1965, U.S. turkey exports reached a peak of 58.5 million pounds, with a value of $20.6 million. Of this, 37.5 million pounds (worth $13.1 million) went to West Germany, not to mention additional amounts transshipped there from U.S. cargoes destined to the Netherlands.

The adoption of new grading regulations by Germany this summer probably delayed the placing of some orders for U.S. turkeys. However, van containers are proving that they can help U.S. exporters meet the tough German requirements for frozen poultry. This method has also given a solid boost to the movement of U.S. poultry to Italy (*Foreign Agriculture*, Nov. 14, 1966). Thus, expectations are that the end of 1966 will see new record totals, both for all foreign sales of U.S. turkeys and for sales to these two leading markets.

Left, containers ready for embarkation; separate chassis ready for arriving containers. To swing containers on or off ship takes only 15 minutes. Above left, container reaches warehouse in Milan after its highway haul from harbor in Rotterdam.

Frozen Food Industry Sets Its Sights on Growing U.K. Market

The first overseas exhibit aimed specifically at promoting American frozen foods opens at the U.S. Trade Center in London February 14 for a 10-day run.

In lining up the exhibit, FAS is inviting U.S. freezers of everything from fruit pies to fish products and turkey rolls to TV dinners to make their pitch for a share of the growing U.K. market for frozen foods. Packers of unusual or specialty products are particularly urged to exhibit.

FAS will provide display space, as well as press and trade receptions and publicity before and during the show. Exhibitors need only deliver their products to the Trade Center and furnish a representative—either the firm's own or a U.K. agent—to meet with the trade and talk business.

Applications for exhibit space will be accepted through January 6 by the International Trade Fairs Division, Foreign Agricultural Service, USDA, Washington, D.C., 20250. Since only about 40 companies can be accommodated, firms should contact FAS as soon as possible.

Britain's frozen food industry, scarcely developed before World War II, now claims a quarter of a billion dollar market annually. Chiefly because of rising living standards and the swing toward convenience foods, the market has pulled into second place behind that in the United States. About four-fifths of frozen food sales move through retail outlets, with the remaining fifth sold to caterers.

Retail outlets equipped to handle frozen foods have also blossomed in the past decade. From 23,000 in 1956, they now total 130,000. And housewife spending on frozen foods rose from an annual average of $10.37 to $15.95 in the 1960-63 period. Frozen foods should draw a larger portion of the housewife's budget as the industry expands and prices trend downward.

"Trade publications covering this industry reflect a buoyancy and aggressiveness that indicates further growth can be expected," according to Elmer B. Winner, former assistant U.S. agricultural attaché in Britain.

This growth is evident in the domestic consumption rate for frozen vegetables, which is rapidly outstripping home supply and pulling up the level of imports. Among frozen food imports, peas and fish products currently command the largest portion, but the sales potential for a wide variety of other products, especially broccoli, asparagus, and mixed vegetables, rings an optimistic note.

The vegetable market does show marked seasonality, with sales dropping from early June through the summer. However, the growing appeal of fresh-frozen vegetables during the long English winter could make up for slackened sales in the summer months. Housewives are actually beginning to look upon frozen vegetables (except for potato products) as staple foods.

The frozen fruit market is expanding more slowly than that for vegetables, with consumption going from 2,700 tons in 1960 to 4,600 in 1964. Largest import in this category is unsweetened, pureed fruit for jams and jellies. Although frozen fruits are still considered a luxury product, specialty and gourmet food shops report a small but growing interest in frozen fruit pies—cranberry, peach, pumpkin, and bilberry. The bilberry is a European species of blueberry.

Lard and Tallow Trade and FAS Host Teams From Britain, Japan

Two teams from abroad inspected U.S. production and marketing facilities for tallow and lard earlier this month and met with trade and government leaders to discuss progress and problems of both the American and their own industries.

Sponsored by the National Renderers Association and FAS, the tallow team included representatives of major soap companies, the executive secretary of the All Japan Soap Association, and NRA's Far East Director James Y. Iso. The lard team—four British importers and the secretary of Britain's Lard Council—was sponsored by FAS and the U.K. Lard Association.

The Japanese team's visit was prompted when NRA officials, working closely with Japanese users of tallow and greases, found that few understand how tallow is produced in the United States, their biggest source of imports. To bring the U.S. tallow industry into sharper focus for them, the team's itinerary included slaughterhouses, rendering plants where raw materials are processed into tallow and greases, storage and loading facilities, and factories that process tallow for soap, feeds, and industrial uses. Firms that handle exports of U.S. tallow to Japan were also included, as well as NRA's 33d annual convention.

Last year, Japan imported 190,000 metric tons of tallow, 172,000 from the United States. The U.S. share of Japan's imports of grease and lard was 37,000 metric tons out of a total of 41,000. Currently, the major use for tallow in Japan is in the production of soap, but rapidly expanding production of formula feeds offers a potential new use.

Japan's annual production of toilet soap had been increasing 4-5 percent annually until 1965 when the increase dropped to 2 percent. However, estimates place 1966 production up 6 percent from last year's output of 83,400 metric tons. A campaign this year to up use of toilet soap was well received and will be continued.

The British team was here to discuss problems facing U.K. importers and merchandizers of U.S. lard. Once the largest supplier of the British market, the United States has lost ground to continental suppliers. The big cutback came in 1965 when the U.S. hog shortage pulled up lard prices. Now U.S. hog numbers are recovering, and the U.K. importers want to interest American suppliers in developing an action program to regain the British lard market.

The peak in U.S. lard exports to Britain was reached in 1964 when they totaled 548 million pounds. For the first 7 months of this year, the level stands at a mere 85 million pounds.

Team members attended the National Swine Conference in Waterloo, Iowa, where they met with the Provisions (lard) Committee for special talks. From there they journeyed north to inspect lard rendering plants and confer with processors, packers, and exporters in Iowa, southern Minnesota, and Illinois.

Baby Calves Airshipped From the United States to Greece

The first shipment of baby calves from the United States to Greece—a planeload of 360 Holsteins—was unloaded at Thessaloniki Airport last month. The calves were a trial shipment arranged by the Greek Ministry of Agriculture and the American Farm School at Thessaloniki. Purpose of the trial is to determine the feasibility of using this method of importing stock to boost Greek meat production.

The calves, still in their crates, were loaded onto trucks immediately and taken to the American Farm School, located a few miles from the airport. Elapsed time from the crating of the calves at Kennedy Airport to their uncrating at the American Farm School was less than 15 hours. All calves arrived in good condition.

At the school the calves will be fed for approximately 3 months, then delivered to the Agricultural Bank. The bank will sell them to livestock farmers, who will feed them for a year, then market them as meat.

The American Farm School, a privately endowed institution that provides vocational agricultural training and academic instruction to Greek boys from 14 to 18, operates in close cooperation with the Ministry of Agriculture. Part of the school's curriculum are courses in animal management and feeding that emphasize high-energy grain rations.

The school, in addition to feeding the calves to a weight of approximately 1,100 pounds, will report to the Ministry of Agriculture on all phases of the trial shipment project. If the project is successful, it could lead ultimately to a considerable increase in Greek beef production and to a lessening of Greek meat imports, which contribute to Greece's chronic deficit in balance of payments.

Greece now imports about $75 million worth of meat and meat products yearly, very little of it from the United States. U.S. exports to Greece—about one-fifth of Greece's total agricultural imports—include grains, dairy products, and oilseeds. Feedgrain imports in fiscal 1966 were about 346,000 metric tons, nearly 50,000 metric tons more than in the previous year.

The plane that carried the calves was the first jet ever to land at Thessaloniki Airport. When it touched down at 3:30 a.m. a sizable crowd was on hand to meet it and watch the unloading of the calves.

Director Bruce Lansdale of American Farm School (in plaid shirt) oversees unloading of calves at Thessaloniki after their nonstop trip from New York.

French Team Studies Methods of U.S. Beef Producers

A team of eight key men in the French beef industry this month completed an informative study tour of U.S. beef-producing areas. Purpose of the tour was to acquaint the team with feeding practices used in this country that could be quickly and profitably adapted to French conditions.

Members of the team included leaders in French grain production, feed manufacture, livestock production, and agricultural research. Their tour was sponsored by the U.S. Feed Grains Council, an FAS cooperator in overseas market development.

The group met with animal-feeding experts on the research staffs of State universities in North Dakota, Iowa, and Illinois; visited feeding operations carried out with barley-based rations in North Dakota; inspected farms, feed lots, mills, and processing plants in Iowa; conferred with industry leaders and government officials in Chicago, New York, and Washington, D.C.

What the team learned on its tour could help accelerate the production of grain-fed beef in France—a development that could affect French exports of corn, wheat, and barley. France is now a major net exporter of wheat and barley; its corn exports just about match its imports.

The French Fifth Plan (1966-70) calls for a large increase in beef production. Many French farm leaders believe that the additional beef must come from feeding the 4 million calves slaughtered each year as veal to heavier weights.

Currently, there is keen interest among French farmers in practical methods of intensive beef production—particularly in the greater use of grain in rations. Feeding or fattening of cattle with grain is not common in France; most French beef comes from slaughter of dairy cows and grass-fed young bulls of dairy or dual-purpose breeds. (See *Foreign Agriculture*, June 27, p. 3.)

According to a USFGC official, French livestock producers will undoubtedly experiment with rations combining various levels of roughages with domestically produced grain along with urea or vegetable protein supplements, or both, to discover the best feeding systems for French agriculture. Conceivably, the 4 million annual veal slaughter could be turned into an annual 4-million-metric-ton grain utilization pattern—1 ton of grain per calf to produce marketable beef.

A Look at the 1966 Hops Situation in Selected European Countries

Hops production in most of Western Europe was generally down from a year ago, with serious crop damage in Belgium, the United Kingdom, and West Germany. Though production in France, Spain, and most of East Europe was up from the 1965 level, it was not enough to offset the losses and the aggregate European crop was down.

West German crop reduced

Latest estimates for the West German hops crop range from 37.5 million pounds to nearly 39.0 million, with official weighings to October 13 (52 days after harvest began) totaling 35.5 million pounds. Since official weighings of the 1965 crop on October 25 (55 days after harvest began) had totaled 37.0 million pounds (92 percent of the final 1965 figure) the 1966 crop will probably total about 38.5 million pounds. This would be 7 percent below the official German August forecast of 41.6 million pounds and down 4 percent from last year's 40,105,000-pound crop. The shortfall was in the Hallertau, where late summer rains brought on heavy outbreaks of downy mildew, hailstorms damaged some fields, and a chemical company reportedly delivered 200,000 pounds of the wrong spray material to growers.

At present, both brewers and dealers are trying to force 100-percent delivery under the contracts. However, it seems likely that if a grower can prove he suffered a crop failure beyond the "normal" limits of yield fluctuation, he would be allowed to prorate his deliveries accordingly.

As a result of the short crop, West German hops exports are expected to drop from the 12,948,000-pound 1964-65 total, 4,875,000 of which went to the United States, to about 11,700,000 pounds this season. However, exports of hops in the extract form should continue to increase from the estimated 2.75 million pounds in 1965-66 to 3.30 million (whole hops equivalent) in 1966-67. As a result, total disappearance into exports will about equal the 15.7-million-pound 1965-66 level.

Rising German beer production, strong export sales, and the short crop should bring about record hops imports during the current season.

Imports are forecast at 12.5 million pounds, with as many as 4.5 million to 5 million expected to come from the United States.

In 1965-66, West Germany imported 10,250,000 pounds; 4,106,000 came from the United States. Of the imports from the United States, about 1.6 million pounds were used by German breweries, approximately 1.6 million were converted into extract for German breweries, and roughly 0.8 million were converted into extract and reexported.

The average contract price for 1966-crop hops was $1.02. Noncontract prices to growers at the end of September were: Hallertaus, $1.36; Spalt, $1.47; Tettnang, $1.59; and Hersbruck Mountain, $1.25. However, because there are very few hops uncontracted, these prices are nearly meaningless except for their influence on contracts yet to be signed.

HOPS SUPPLY AND DISTRIBUTION

Item	Average 1960-64	1964-65	1965-66[1]	1966-67[2]
WEST GERMANY	*1,000 lb.*	*1,000 lb.*	*1,000 lb.*	*1,000 lb.*
Beginning stocks (Sept. 1)[3]	176	....	....	....
Production	35,699	40,456	40,105	38,500
Imports	6,370	9,958	10,250	12,500
Total supply	42,245	50,414	50,355	51,000
Exports	11,709	14,092	12,948	11,700
Domestic disappearance[4]	30,360	36,322	37,407	39,300
Ending stocks (Aug. 31)	176	....	....	....
Total distribution	42,245	50,414	50,355	51,000
FRANCE				
Beginning stocks (Sept. 1)	2,636	1,284	1,517	1,328
Production	4,779	5,351	4,630	5,500
Imports[5]	2,215	2,776	2,359	2,200
Total supply	9,630	9,411	8,506	9,028
Exports	1,774	1,942	1,226	1,400
Domestic disappearance[6]	5,682	5,952	5,952	5,700
Ending stocks (Aug. 31)	2,174	1,517	1,328	1,928
Total distribution	9,630	9,411	8,506	9,028
BELGIUM				
Production	3,080	3,718	4,189	3,800
Imports	3,570	4,398	4,189	4,400
Total supply	6,650	8,116	8,378	8,200
Exports	1,856	3,292	3,086	2,900
Domestic disappearance[6]	4,794	4,824	5,292	5,300
Total distribution	6,650	8,116	8,378	8,200
UNITED KINGDOM				
Beginning stocks (Oct. 1)	17,699	20,970	21,547	22,068
Production	27,968	28,269	28,977	25,567
Imports	1,607	1,668	1,120	600
Total supply	47,274	50,907	51,644	48,235
Exports	2,163	2,460	2,576	2,800
Domestic disappearance	26,490	26,900	27,000	25,000
Ending stocks (Sept. 30)	18,621	21,547	22,068	20,435
Total distribution	47,274	50,907	51,644	48,235
SPAIN				
Beginning stocks (Sept. 1)	1,280	1,400	1,600	1,200
Production	1,892	2,927	2,690	3,000
Imports	589	432	401	400
Total supply	3,761	4,759	4,691	4,600
Domestic disappearance[7]	2,481	3,159	3,491	3,500
Ending stocks (Aug. 31)	1,280	1,600	1,200	1,100
Total distribution	3,761	4,759	4,691	4,600
YUGOSLAVIA				
Beginning stocks (Oct. 1)	870	700	2,000	2,200
Production	12,059	13,470	10,780	11,067
Imports	55	.....	.....	100
Total supply	12,984	14,170	12,780	13,367
Exports	10,829	10,915	9,000	10,500
Domestic disappearance	1,045	1,255	1,580	1,667
Ending stocks (Sept. 30)	1,110	2,000	2,200	1,200
Total distribution	12,984	14,170	12,780	13,367

[1] Preliminary. [2] Forecast. [3] Growers' stocks only. [4] Includes changes in brewers' and dealers' stocks, hops used in brewing, and extract manufacture and waste. [5] Excluding extracts. [6] Includes changes in brewers' and dealers' stocks. [7] May include minor exports.

France has bumper crop

French hops production jumped to 5.5 million pounds from the below-average 1965 crop of 4,630,000. The

increase resulted from a higher yield due to very favorable weather conditions in the late summer. Quality is also excellent, with color and aroma much better than normal.

French hops imports in 1965-66 totaled 2,359,000 pounds—down 15 percent from the 2,776,000 pounds imported in 1964-65. Imports of extracts, however, made up the difference, totaling 357,000 pounds in 1965-66 against 243,000 the year before. The import quota of 1,212,500 pounds for hops from non-EEC countries was not quite filled in 1965-66 for the first time in recent years. Imports from the United States (101,000), Czechoslovakia (672,000), and Yugoslavia (417,000) totaled only 1,180,000 pounds. Imports in 1966-67 are expected to be down somewhat from the 1965-66 level, totaling perhaps 2,200,000.

Belgium's harvest down

A severe hailstorm in the Poperinge and late rains in all areas reduced Belgium's yields below last year's level. In spite of a 7-percent increase in area to 2,829 acres, the 1966 crop totaled only 3,800,000 pounds, against 4,189,000 pounds in 1965. Quality on the other hand, is much improved over that of last year, and prices have risen for all varieties. Prices to growers by varieties (with 1965 equivalents in parentheses) follow: Saaz, $1.09 ($0.90); Tettnang sets, $1.00 ($0.90); Northern Brewer, $1.00 ($0.82); Hallertau sets, $0.90 ($0.68); and Brewers Gold, $0.90 ($0.63) per pound.

Belgium imported about 4,189,000 pounds of hops during the 1965-66 season, compared with 4,398,000 the year before. Nearly half of these came from Czechoslovakia, but the United States, West Germany, Poland, and Yugoslavia were also important suppliers. Belgium's exports were also somewhat down in 1965-66 to 3,086,000 pounds against 3,292,000 the year before. As usual, West Germany was the major buyer, taking nearly half of the total. The Netherlands was also an important customer. Exports in 1966-67 are expected to drop to 2,900,000.

Production off in the United Kingdom

British hops production in 1966 is estimated at only 25,567,000 pounds—down 12 percent from last year's 28,977,000-pound crop and 9 percent below the 1960-64 average of 27,968,000. The crop was grown on 20,304 acres—2 percent less than last year.

As a result of last year's above-average crop and plentiful carryover stocks, imports—estimated at 1,120,000 pounds—failed to reach the 1,344,000-pound import quota set for the marketing season beginning October 1, 1965; they were down 33 percent from the year before. Exports, however, are estimated to have risen by 5 percent to 2,576,000 pounds this past season. Ireland usually takes about three-fourths of the exports, while Yugoslavia and West Germany supply the majority of the imports. The United States is also a substantial supplier to the U.K. market.

Beer production and hops usage for the past season were both marginally above the year before. In 1966-67, however, both may fall substantially because of current economic difficulties, particularly unemployment in the auto industry.

Record Spanish crop this year

Spanish hops production rose to a record 3 million pounds in 1966 from 2,691,000 in 1965 and a 1960-64 average crop of 1,892,000. The increase was due to better yields and occurred in spite of a very slight decrease in area. From September 1965 to August 1966, Spain imported 401,000 pounds of hops—about all that could enter under the $484,000 import quota applied by Spain in 1966. West Germany supplied 73 percent of the total, and the United States, only 2 percent. In 1964-65 Spain had imported 432,000 pounds under the 1965 quota of $441,000, with West Germany as usual the predominant supplier.

Spain also imported 55,700 pounds of hops extract in 1965-66, mostly from West Germany. This would be equivalent to between 140,000 and 280,000 pounds of hops, depending on the concentration.

Below-average Yugoslavian crop

Yugoslavia's 1966 hops crop is unofficially estimated at 11,067,000 pounds, up slightly from a year ago but 8 percent below the 1960-64 average of 12,059,000. The crop, which was grown on 9,773 acres (9,637 in 1965), is reported to be of above-average quality with very little insect mildew or other disease damage. While beer production has been increasing very rapidly in Yugoslavia, most of the crop will still be exported.

YUGOSLAVIA'S HOPS EXPORTS

Destination	Year beginning October 1			11 months,
	1962-63	1963-64	1964-65	1965-66
	1,000 pounds	*1,000 pounds*	*1,000 pounds*	*1,000 pounds*
United States	3,563	2,476	1,354	1,957
Soviet-oriented countries	1,134	1,786	1,586	562
United Kingdom	817	891	1,140	1,196
West Germany	2,077	1,893	3,364	2,299
Belgium-Luxembourg	466	269	536	355
France	563	376	480	333
Netherlands	451	542	583	571
Italy	99	106	77	58
Austria	294	194	348	624
Denmark	323	312	399	271
Switzerland	355	273	331	250
Japan	254	176	77	....
Other countries	501	649	640	475
Total	10,897	9,943	10,915	8,951

Exports during the 1965-66 season, according to preliminary data, totaled 9 million pounds. This is below both the previous season's level and the 5-year average. From October 1965 to August 1966, exports totaled 8,951,000 pounds; 26 percent went to West Germany, 22 percent to the United States, and 13 percent to the United Kingdom. Thus, 61 percent went to the world's three largest hops producers. Shipments to Eastern European areas have dropped off sharply from normal, and exports for 1966-67 are forecast at a near-average 10,500 tons.

Good crop in Eastern Europe

Hops production in the Soviet-oriented countries seems to be up from the 1965 level, except in Hungary and the USSR, where the crops are unchanged. Poland—this area's third biggest product—is increasingly interested in exports. Latest 1966 crop estimates from the European Hop Growers Convention (with the 1965 figure in parentheses) are: Bulgaria, 1,500,000 pounds (1,113,000); Czechoslovakia, 17,600,000 (15,860,000); Hungary, 1,000,000 (1,002,000); Poland, 5,700,000 (4,621,000); Romania, 1,200,000 (1,102,000); East Germany, 5,500,000 (4,454,000); and the USSR, 15,400,000 (15,432,000).

Netherlands', London Canned Fruit, Juice Prices

Selling prices in the Netherlands and London (landed, duty paid) of selected canned fruits, juices are shown below:

NETHERLANDS

Type and quality	Size of can	Price per dozen units: Oct. 1965	July 1966	Oct. 1966	Origin
CANNED FRUIT		*U.S. dol.*	*U.S. dol.*	*U.S. dol.*	
Apricots, halves:					
Choice	15 oz.	1.96	2.05	2.06	Spain
Standard, unpeeled, in light syrup	2½	....	3.81	3.81	U.S.
Quality not specified	2½	....	3.55	3.55	S. Africa
Cherries, not pitted	2½	....	6.80	6.80	Italy
Do	2½	....	....	7.13	Holland
Fruit cocktail:					
Choice, light syrup	2½	5.63	5.04	5.04	U.S.
Do	303	....	....	3.28	U.S.
Choice, heavy syrup	2½	....	5.64	5.17	U.S.
Do	303	....	3.58	3.31	U.S.
Fruit salad (5 fruits):					
Choice, heavy syrup	500 gr.[1]	....	2.98	3.05	Spain
Do	250 gr.[2]	....	1.66	1.72	Spain
Peaches, halves:					
Choice, in heavy syrup	2½	....	4.04	4.18	U.S.
Do	2½	....	3.98	3.88	S. Africa
Do	303	....	2.75	2.78	U.S.
Do	500 gr.[1]	....	2.62	2.62	Spain
Do	250 gr.[2]	....	1.46	1.49	Spain
Choice, in light syrup	2½	4.38	3.98	4.08	U.S.
Do	303	....	2.62	2.72	U.S.
Standard, in light syrup	2½	....	3.81	4.04	U.S.
Quality not specified	2½	3.78	3.55	3.55	Greece
Pineapple:					
Fancy, extra heavy syrup:					
4 whole slices	No. 1	1.82	1.86	1.86	U.S.
10 whole slices	No. 2	3.68	3.81	3.81	U.S.
Fancy, heavy syrup, 10 whole round cut slices	20 oz.	....	2.82	2.82	Malaya
Choice, heavy syrup:					
4 whole slices	No. 1	1.72	1.69	1.69	U.S.
8 whole round cut slices	12 oz.	....	1.79	1.79	Malaya
10 whole round cut slices	20 oz.	....	2.55	2.55	Malaya
10 whole slices	No. 2	3.29	3.28	3.28	U.S.
Whole slices	20 oz.	....	2.78	2.75	Taiwan
Do	30 oz.	....	4.01	4.01	Taiwan
Heavy syrup:					
Pieces	20 oz.	....	2.30	2.27	Taiwan
Pieces	30 oz.	....	3.41	3.35	Taiwan
8 slices	30 oz.	....	3.91	3.91	Ivory Coast
10 slices	20 oz.	....	2.69	2.69	Ivory Coast
Chunks	2½	....	3.86	3.88	U.S.
CANNED JUICE					
Orange	6 oz.	....	.89	.90	Greece
Grapefruit, unsweetened	No. 2	....	2.29	2.19	Israel
Pineapple:					
Fancy, unsweetened	No. 2	2.15	1.82	1.82	U.S.
Unsweetened	6 oz.	....	.99	.99	U.S.
Do	46 oz.	....	4.04	4.04	U.S.

[1] 500 grams = 17.6 oz. [2] 250 grams = 8.8 oz.

LONDON

Type and quality	Size of can	Price per dozen units: Oct. 1965	July 1966	Oct. 1966	Origin
CANNED FRUIT		*U.S. dol.*	*U.S. dol.*	*U.S. dol.*	
Apricots:					
Whole, unpeeled, choice	303	2.36	2.40	2.52	U.S.
Halves:					
Fancy	2½	3.45	3.20	3.20	S. Africa
Choice	2½	4.02	4.04	4.43	U.S.
Do	2½	3.36	3.45	3.45	Australia
Do	2½	3.36	3.10	3.10	S. Africa
Do	No. 1 (15 oz.)	2.06	1.84	1.84	S. Africa
Standard	2½	3.43	3.54	3.66	U.S.
Halves, in syrup	15 oz.	1.41	1.41	1.41	Spain
Fruit cocktail:					
Choice	303	2.94	2.56	2.74	U.S.
Do	8 oz.	1.70	1.48	1.64	U.S.
Do	2½	....	4.15	4.15	Australia
Do	15 oz.	2.10	2.10	2.24	Spain
Peaches, clingstone, halves:					
Fancy	2½	3.62	3.38	3.38	S. Africa
Do	2½	3.44	3.55	3.55	Australia
Choice	2½	....	3.55	3.55	U.S.
Do	2½	3.36	3.27	3.27	S. Africa
Do	2½	3.36	3.45	3.45	Australia
Do	303	....	2.34	2.42	U.S.
Pears:					
Fancy	2½	3.64	3.66	3.66	Australia
Do	2½	3.62	3.55	3.55	S. Africa
Choice	2½	....	....	4.46	U.S.
Do	2½	3.36	3.45	3.45	S. Africa
Do	2½	3.36	3.59	3.59	Australia
Do	303	4.20	3.98	3.10	U.S.
Pineapple:					
Slices:					
Fancy	2½	3.91	3.91	3.91	U.S.
Do	No. 2	2.94	2.94	2.94	U.S.
Choice	2½	3.64	3.64	3.64	U.S.
Do	No. 2	2.73	2.73	2.73	U.S.
Do	2½	....	3.22	3.26	Formosa
Spiral, standard	20 oz.	1.86	1.92	1.89	Malaya
R.C. standard	16 oz.	1.73	1.72	1.70	Malaya
CANNED UNSWEETENED JUICE					
Orange juice	43 oz.	4.52	4.44	4.58	Israel
Do	19 oz.	1.96	1.96	2.03	Israel
Do	46 oz.	3.70	[3]3.10	[3]3.35	U.S.
Do	No. 2	1.58	[3]1.35	[3]1.42	U.S.
Do	No. 2	....	....	1.92	B.W.I.
Do	46 oz.	....	....	1.89	B.W.I.
Grapefruit	No. 2	....	[3]1.45	[3]1.45	U.S.
Do	46 oz.	....	[3]3.00	[3]3.45	U.S.
Do	46 oz.	....	....	4.30	B.W.I.

[1] FAS sources.

West Pakistan Abolishes Sugar Rationing

Sugar rationing is being abolished in West Pakistan according to a recent announcement by that Province's Minister for Food and Agriculture. Responsible for the change were sharp increases in sugarcane-acreage and production and an increase in centrifugal sugar manufacture.

To guard against artificial fluctuations in price, speculative forward trading has also been abolished. The Provincial Government will maintain a reserve of 32,000 long tons, which will be used to check excessive rises in prices due to pressure on supplies. Because of the high cost of production, the Minister ruled out any sugar exports but shipments to East Pakistan are permissible.

USSR Cotton Crop May Be Record

The 1966-67 cotton crop in the USSR may equal or exceed the record 1965-66 harvest of 8.8 million bales (480 lb. net). Procurements have been set at 9.0 million.

Planted area in the USSR is about 100,000 acres below the 1965-66 area of 6.1 million acres. Earlier in the growing season cotton regions were plagued with problems—shortages of irrigation water, poor weather, wind and hail damage, and widespread earthquakes, which were believed to have caused damage to irrigation networks.

The average national yield in 1965-66 was a record 692 pounds of lint per acre, up sharply from the 1964-65 yield of 645 pounds per acre and the 1955-59 average yield of 615 pounds. Reportedly, the USSR has been placing increased importance on the use of commercial fertilizers and mechanical harvesters in cotton regions.

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Highlights of the Agriculture and Trade of Israel

Resources:—Israel has a land area of 7,800 square miles, slightly smaller than that of the State of Massachusetts. In mid-1966 its population exceeded 2.7 million; growth through natural increase and immigration was 3.5 percent in 1965 compared with 4.5 percent in 1963 and 1964. Gross national product for 1965 was estimated at $3 billion (in 1962 prices), or $1,165 per capita.

Agriculture:—In the first 10 years of its statehood, Israel's farm production quadrupled, and government expenditures for agricultural development overshadowed those for any other sector of the economy. Agriculture rarely has contributed more than about 12 percent of Israel's national income or employed more than 17 percent of the labor force, and now well toward the close of Israel's second decade of existence, the rate of agricultural growth is slowed. Many older farm settlements cannot base themselves entirely on agriculture; industrial activity is becoming increasingly important as an adjunct to farm income.

In some of the newer rural settlements on marginal lands, the role of agriculture is definitely subsidiary to that of industry or defense. Nevertheless, farm output remains high; the USDA index shows Israeli agricultural production for 1965 at 178 (1957-59 = 100), the highest outturn since the base period. A slight decline in the index occurred in 1966, when rainfall was less plentiful.

Agriculture in Israel is well organized, with production largely directed toward commercial markets. Israel's principal farm products are citrus, other fruits, vegetables, milk, poultry and eggs.

Food Situation:—The national diet of Israel is higher in quality than that of any other West Asian country, with per capita food intake exceeding 2,800 calories daily. There has been much internal pressure to maintain for Israel Western levels of consumption; consequently, total food requirements have increased faster than has population. Normally the largest part of grain requirements are obtained from abroad. Although domestic output supplies the bulk of the meat and fats and nearly all dairy products consumed, a substantial part of Israel's livestock products and edible oils are produced with imported feedgrains and oilseeds.

Foreign Trade:—Israel characteristically has a balance of trade deficit, mainly because of its ability to finance purchases of machinery, transport equipment, and petroleum with which to develop industry. But agricultural imports contribute significantly to the imbalance. In the years 1960-64 exports averaged 45 percent of imports; in 1965, 51 percent.

Agricultural exports—principally citrus, eggs, and bananas—brought in an annual average of $68 million between 1960 and 1964 and amounted to $104 million in 1965. Major destinations of Israel's exports are largely determined by citrus shipments principally to the United Kingdom and Western Europe. Israel is a net importer of farm goods, totaling $130 million in 1965 and an average of $103 million annually in the 5 preceding years. In 1965, farm commodity imports mainly consisted of grains, oilseeds and oils, meat and meat preparations, sugar, hides, and fibers.

Agricultural Trade with the U.S.:—Since the creation of the Jewish state, the United States has been Israel's primary source of agricultural imports, supplying chiefly wheat and wheat flour, feedgrains, and fats, oils and oilseeds, largely under government programs. The United States shipped farm goods valued at an average of $65 million annually in the 1962-64 period; 1965 shipments amounted to $84 million. U.S. agricultural imports from Israel are largely kosher wines, oranges, chocolate, and fruit preparations. Between 1962 and 1964 U.S. imports of Israel's farm commodities totaled about $1.4 million a year; in 1965 they were $1.9 million.

Factors Affecting Trade:—In general, Israel maintains low tariffs on imports of agricultural raw materials for processing and on commodities in short supply. Feedgrains, cotton, wheat, and oilseeds are duty free, but tariffs on other farm commodities—especially those considered to be luxury items—are in many cases extremely high. With the exception of government-controlled imports, all agricultural commodities have been subject to license. A few commodities were freed from licensing after the inception of a new economic program at the time of currency devaluation in 1962, and some gradual liberalization is expected in the future. Issuance of import licenses is carried on with varying degrees of discrimination—from virtually automatic licensing to close control, as with cotton and rice.

—HENRIETTA HOLM TEGELER
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